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Administrative, financial and institutional matters
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Technical workshop on ways to increase the efficiency and transparency of the budget process[1]

Report by the secretariat

Summary

The technical workshop on ways to increase the efficiency and transparency of the budget process was held on the margins of the forty-seventh session of the Subsidiary Body for Implementation on 8 November 2017 in Bonn, Germany. The workshop was held in response to a request by the Subsidiary Body for Implementation at its forty-sixth session to discuss possible ways to increase the efficiency and transparency of the budget process, including issues such as:

(a) Options to increase flexibility of the funds in the Trust Fund for Supplementary Activities;

(b) Ways to address outstanding contributions to the core budget;

(c) The level of the working capital reserve;

(d) The allocation of resources in the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities.

Given the importance of funding for participation, the workshop agenda also included a fifth topic, on the Trust Fund for Participation in the UNFCCC Process.

Representatives of Parties provided input and feedback to the secretariat on the workshop topics, the background papers it prepared and the presentations it gave. This feedback will inform improvements to the budget process.

[1] Held on the margins of the forty-seventh session of the Subsidiary Body for Implementation.

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I. Introduction

1. The Subsidiary Body for Implementation (SBI), at its forty-sixth session, requested the secretariat to organize a technical workshop for Parties on the margins of SBI 47 with the aim of discussing possible ways to improve the efficiency and transparency of the budget process, taking into account the information made available on the UNFCCC website. The SBI requested that the workshop include such issues as:[2]

(a) Options to increase flexibility of the funds in the Trust Fund for Supplementary Activities;

(b) Ways to address outstanding contributions to the core budget;

(c) The allocation of resources in the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities;

(d) The level of the working capital reserve.

2. Given the importance of funding for participation, the workshop agenda also included a fifth topic, on the Trust Fund for Participation in the UNFCCC process.

3. The SBI requested its Chair to report orally on the outcome of the technical workshop at SBI 47 with a view to providing guidance to the secretariat in the implementation of the programme budget.[3] It also requested the secretariat to prepare a report on the outcome of the technical workshop for consideration at SBI 48.

4. The SBI may wish to include the issues, concerns and proposals discussed at the workshop in its consideration of budgetary matters and to provide guidance on possible next steps, as appropriate.

II. Workshop participation and structure

5. The workshop took place on Wednesday, 8 November 2017, and was chaired by the Deputy Executive Secretary. About 60 Parties were represented by a total of over 100 Party representatives.

6. The workshop was designed to inform Parties and enable them to provide guidance to the secretariat in improving budget processes.

7. The workshop agenda, background papers on each topic and presentations given by the secretariat are available on the UNFCCC website.[4]

8. The workshop consisted of five presentations, one on each of the four topics requested by Parties plus the topic of the Trust Fund for Participation in the UNFCCC Process. There were two extended periods for discussion on groups of topics.

9. The workshop was opened by the Deputy Executive Secretary and by the Chair of the SBI, Mr. Tomasz Chruszczow. In their opening remarks, they stressed that the purpose of the workshop was to look at the principles of the budget process rather than the content of the budget itself. They noted that the workshop was intended to support the co-ownership of the secretariat's work by Parties and the secretariat, where Parties guide and support but do not micromanage, and provide oversight without overly scrutinizing the details of the work of the secretariat.

III. Increasing flexibility of the funds in the Trust Fund for Supplementary Activities

10. The Chair introduced the topic by noting that in the context of overall funding, the share of voluntary contributions is growing in relation to static core contributions across all international organizations, and the trend towards seeking other sources of funding is

[2] FCCC/SBI/2017/7, paragraph 129.

[3] FCCC/SBI/2017/7, paragraph 130.

[4] http://unfccc.int/secretariat/budget/funding_at_the_unfccc/items/10466.php.

increasing. While contributors' priorities vary, the secretariat seeks to ensure that funding is used optimally and for activities mandated by the UNFCCC governing and subsidiary bodies.

11. Many Parties agreed that greater flexibility in the Trust Fund for Supplementary Activities was desirable. It was noted that supplementary funding, by nature, is provided to supplement core funding. It was also noted that some countries' regulations required earmarking their contributions for specific activities and that earmarking in itself was not necessarily an issue provided funds were available to cover all mandated areas.

12. Some Parties expressed concern that the combination of earmarking and a shortfall in total funding could mean that some activities were overfunded while others remain unfunded for long periods. It was suggested that an agreement with Parties that earmarked funds to allow some flexibility in the use of their contributions would enable the secretariat to allocate funding to the activities that most needed it. In response, the secretariat indicated that it sought such agreement to the extent possible during funding negotiations.

13. Views about contributions from non-state actors to the Trust Fund for Supplementary Activities varied. These contributions currently represent only 7 per cent of the fund, and some Parties saw potential for the growth of such funding provided it meets the needs and principles of the UNFCCC. Other Parties wished for reassurance that such contributions were appropriately vetted and accepted only when they fulfil strict criteria. The secretariat noted that it managed such funding in line with stringent United Nations principles[5] and practices to ensure there was no undue influence.

14. In response to questions, the secretariat clarified that supplementary contributions are applied to activities in the programme of work and that the bulk of the core budget covers staff whose activities are directly linked to the programme of work. The funds available in the Trust Fund for Supplementary Activities serve to supplement core funds to achieve greater implementation of the biennial work programme to the extent supplementary funds allow.

IV. Measures to address outstanding indicative contributions to the core budget

15. The Chair introduced this topic by noting the seriousness of the issue and the fact that Parties hold the power to ensure the secretariat has appropriate resources. United Nations entities cannot take out bank loans to bridge gaps in cash flow, and therefore not only the budget, but also the liquidity, is important for the implementation of mandated activities. Contributions need to be provided in accordance with the budget and the financial rules of the entity.

16. Parties expressed concern over the degree to which late and long-outstanding indicative contributions to the core budget might impact the secretariat's ability to implement its activities in a timely manner. Several recommendations were discussed. It was noted that some United Nations entities apply various levels of punitive measures such as restrictions to voting rights. Punitive measures are often combined with collaborative approaches.

17. One Party suggested that the financial rules of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal could be considered as a strong example of the use of punitive measures.[6] Some Parties expressed the view that negotiation and collaboration might prove more effective than punitive measures in the UNFCCC context.

[5] *Guidelines on a Principle-based Approach to the Cooperation Between the United Nations and the Business Sector*. Available at https://business.un.org/en/documents/5292.

[6] After the workshop, the secretariat reviewed the rules of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, which include several provisions restricting voting rights and other types of participation of Parties at various levels of arrears. An analysis of published material showed that, as at the end of October 2017, the outstanding contributions for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal for 2017 were at 21 per cent, while those for the UNFCCC were at 11 per cent.

18. Parties noted the importance of the information provided and recommended that more efforts be made to raise the awareness of Parties of the situation, with frequent updates, both in multilateral forums and bilaterally, and that the information be made available not only to budget specialists but also to heads of delegation. It was noted that it might be possible for some Parties to make their contribution somewhat earlier if they were aware of the need.

19. The Chair informed Parties that one new measure to be introduced in 2017 would be a letter from the President of the Conference of the Parties (COP) addressed to all Parties with outstanding contributions. The Chair indicated that this measure had proven successful in other United Nations organizations.[7]

V. Setting the appropriate level of the working capital reserve

20. The Chair introduced the third topic by noting that it was linked closely to the first two. The current low level of cash in the working capital reserve under the UNFCCC core budget is the result of the high level of outstanding contributions from prior years. In line with the financial procedures contained in annex I to decision 15/CP.1, the replenishment process is undertaken by first applying cash received from Parties that are in arrears for prior bienniums to the working capital reserve.

21. Parties took note of the impact of late contributions on the working capital reserve, which has not been sufficient in recent years to cover the gap in funding at the end of the year. Several views were expressed on whether to increase the reserve. Some Parties supported increasing it to 12 per cent or 15 per cent, in line with several other United Nations entities. Other Parties favoured tackling the root issue of late payments with more intensity. Some Parties expressed the view that an increase in working capital was not the appropriate way to deal with long-outstanding contributions.

22. In response to a question, the secretariat clarified that funds available in the Trust Fund for Supplementary Activities and carried forward to upcoming budget periods were generally for multi-year commitments and for projects that continued in the next budget period. The amount of funding that remained unspent when a project was completed was a small percentage of the amount carried forward. A recent review of such funds identified only EUR 190,000 in total. In cases where contribution agreements do not specify the treatment of unspent balances, the secretariat regularly approaches contributors with a view to reprogramming these funds.

VI. Allocation of resources in the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities

23. Parties welcomed the stated intention of the secretariat to undertake a comprehensive review of the allocation of core budget and supplementary resources and the underlying principles. They noted the importance of completing this work in a timely manner so as to inform the preparation of the budget proposal for the biennium 2020–2021.

24. Parties recommended examining the budget for older mandates that could be streamlined, reduced or phased out or synergized to free up funds for newer and higher priority mandates. Some Parties suggested simplifying the budget presentation and adding tables to support the review of the budget. Such tables could then be used to report on the implementation of the budget and to help identify projects or activities that lack supplementary funding and should be better supported by the core budget.

25. Also suggested was a review of budget implementation for the current budget period that could focus on the use of core and supplementary funds, help inform understanding and continue to define the principles for allocation. This review would also serve to support the next budget negotiations.

[7] After the workshop, the secretariat sent reminder letters signed by the COP President to Parties with outstanding contributions.

VII. Trust Fund for Participation in the UNFCCC Process

26. The Chair introduced this topic by saying that the secretariat had worked diligently in 2017 to rationalize the review of applications for funding under the Trust Fund for Participation in the UNFCCC Process in relation to the established eligibility criteria.

27. Japan announced a contribution to the Trust Fund for Participation in the UNFCCC Process of USD 20,000. The secretariat welcomed this announcement and thanked the Government of Japan.

28. Some Parties called attention to the report of SBI 46,[8] in which the decision is recorded to make representatives of developing country Parties designated by their respective regional groups to participate in meetings of the constituted bodies established under the Convention and elected by parent bodies eligible for funding under the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities.

29. Some Parties expressed a desire to have the eligibility criteria for funding under the Trust Fund for Participation in the UNFCCC Process reviewed, while others supported the current criteria, which are based on gross domestic product per capita. It was noted that the criteria were established prior to the first meeting of the COP. The formal establishment of the Trust Fund for Participation in the UNFCCC Process was approved at COP 1[9] and the criteria have been noted in all subsequent COP budget decisions. Any decision to change the eligibility criteria would have to be made by Parties, not the secretariat.

30. The secretariat noted that the application of the criteria has been carefully managed this year and that, out of 144 eligible Parties, 143 Parties made use of the funding to attend COP 23, which covered the participation-related costs of 362 delegates.

VIII. Closing meeting and next steps

31. Parties welcomed the information provided and the insight it offered into the management of the financial resources of the secretariat. Parties noted that increasing their understanding of the budget processes would help them to support and guide the secretariat while leaving the detailed management to the secretariat.

32. The Chair thanked those who attended the workshop and provided their input and feedback. He noted that the secretariat welcomed all the input and feedback, which would inform ongoing improvements to the budget process, and committed to continue consulting with Parties on guiding such improvements.

33. The Chair indicated that a first step in this work would be a review of the allocation of core budget and supplementary resources and its underlying principles, in the context of the review of the structure of the secretariat to be undertaken in 2018.

34. The secretariat offered to provide an outline of a simplified budget presentation at SBI 48.

35. The Chair of the SBI thanked participants for their valuable input during his oral report on the workshop to the SBI 47 plenary. He welcomed the transparency and value of the workshop and the documentation and presentations that supported it.

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[8] FCCC/SBI/2017/7/Add.1, draft decision entitled "Programme budget for the biennium 2018–2019", note to table 4.

[9] Decision 15/CP.1, paragraph 15.